

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

April 8, 2015

The 355th meeting of the Rhode Island Higher Education Assistance Authority was held Wednesday, April 8, 2015. Chairwoman Ms. LaSalle called the meeting to order at 8:40 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Chairwoman

Ms. Christine Jenkins

Mr. Robert Delaney

Ms. Leah Williams Metts

Mr. Andrew Roos, designee of General Treasurer Seth Magaziner

Mr. John Howell

Members Absent:

Dr. William Croasdale

Mr. Dan Egan

Also Attending:

Ms. Gail Mance-Rios, Acting Executive Director

Mr. Joseph Palumbo, Legal Counsel

Mr. Charles Miller, CIO

Ms. Linda Makhlouf, HR

Ms. Dana Peterson-Fatuda, Administration

Ms. Patia Bertram, Accounting

Mr. Tom Pearce, Account Resolutions

Mr. Michael Joyce, S&G

Ms. Winnie Antos, Accounting

Ms. Laurie Brayton, Legislative Affairs

Ms. Heather Hudson, Governor's Office

Mr. Kevin Gallagher, Governor's Office

Mr. Kyle Lynch, General Treasurer's Office

1. Discussion of Board position on FY 16 Budget Article 7 relating to the Rhode Island Higher Education Assistance Authority (RIHEAA): Mr. Gallagher of the Governor's Office provided an overview of the Governor's FY16 Budget, as it pertains to Article 7 regarding the Rhode Island Higher Education Assistance Authority (RIHEAA). Mr. Gallagher stated this presentation will be presented to the Senate Finance Committee at the Hearing scheduled for Thursday, April 9, 2015. Mr. Gallagher stated that Article 14 of the FY15 Appropriation Act mandated that the Governor submit a plan to transfer appropriate programs of RIHEAA's to other state agencies. In order to comply with this law, the Governor tasked Mr. Gallagher and Ms. Hudson with looking at RIHEAA and the programs within. Mr. Gallagher stated, we looked at the former director of the Department of Administration's proposal from 2011 and how other guaranty agencies did business. Twenty-seven states organized similar powers and duties of higher

education assistance within the higher education office structure of their state. In the proposal, the Governor proposed to move the bulk of RIHEAA's programs to the Office of the Post-Secondary Commissioner's Office (OPC).

Mr. Gallagher stated that the General Treasurer, Mr. Magaziner made a request to have the CollegeBoundfund Program transferred to the Treasurer's Office; he hopes to build on the program and not have CBF transferred to OPC.

Mr. Gallagher stated, the objectives to increase the scholarship amounts to reach the most financially needy students. The Governor's proposal also includes efforts to streamline government agencies by reducing overall operating cost.

Mr. Gallagher stated the budget article expressly states that all of RIHEAA's operating reserve funds must be used on financial aid related activities in accordance with Federal statute. The budget article proposes transferring the reserves to a restricted account to be managed by the State Investment Commission (SIC). Mr. Howell asked about the reserves and the building. Mr. Gallagher stated the reserves will be monitored by the SIC, and the building will be transferred to the OPC. Ms. Hudson stated that RIHEAA has been very prudent and fiscally responsible.

The Governor's Office has given notice to the U.S. Department of

Education of the plan to transfer RIHEAA to the OPC.

The U.S. Department of Education does not anticipate any negative impact regarding the Federal Family Education Loan Program (FFEL).

Mr. Gallagher stated the projected revenue streams from the CollegeBoundfund will continue to generate (after expenses) approximately \$8 mil each year. These funds will be used for financial aid program as designed by OPC.

The Loan Guarantee Operations will continue to generate approximately \$1-\$2 million each year.

Depending on the investments from the SIC, the Guarantee Agency Reserve Fund may generate about \$1-\$2 million each year.

The Governor has proposed to increase the amount of the State Grant to \$10 mil, and use \$1.3 mil to pay for the Prepare RI Program that allows high school students to start earning college credits while in high school. The Governor wants to increase the impact of the State Grant and have it more targeted for the neediest students as well as increase the dollar amount. Many students are forced to borrow at higher interest rates from private institutions to make up the difference between financial aid and cost of school.

Mr. Gallagher stated that there are only two states that have fully

portable scholarships, allowing their state grant money to leave their state, that is Vermont and RI, Vermont is in the process of changing that.

Mr. Gallagher stated the proposal increases student aid by 26%. The three institutions - \$4 mil CCRI, \$2.5 mil for URI and RIC and \$1.0 mil for private institutions, for need based financial aid programs for Rhode Islanders. Mr. Gallagher stated that 40% of students attending CCRI would probably go for free. Mr. Gallagher stated that the University of Rhode Island (URI) already provides \$40 mil in need-based financial aid. URI will implement a tiered awarding structure, which will enable URI to award 25% more state scholarships to students with need and increase aid for almost 2,000 students who received aid last year. In addition, URI will be able to award approximately 750 more state scholarships to Rhode Islanders.

The Rhode Island College (RIC) Stay The Course Scholarship, will target \$2.5 mil to students who have completed their freshman year and will be used to increase graduation rates by enabling students to continue to study full-time. A cohort of roughly 500 students will receive an average award of \$4,456 to cover tuition, fees and books. Direct funding to full-time, second year students will increase persistence rates for low-income students. This actively addresses the college to completion initiative.

Mr. Howell asked about the operational cost of savings. Mr. Gallagher stated that existing contracts will be looked at for significant savings. The reduction of employees is being looked at by the Department of Administration, unlike other quasi state agencies; RIHEAA's employees are State of RI employees. The building and assets will be transferred to the Office of the Postsecondary Commissioner, which is overseen by the Board of Education. All but the CollegeBoundfund will be transferred to the OPC. The CollegeBoundfund will be transferred to the General Treasurer's Office. The OPC will be housed at Jefferson Blvd.

Mr. Howell asked about the WaytogoRI program, where does the Governor see that? Mr. Gallagher stated that we want to preserve the functions of WaytogoRI, but align the program with other state agencies, like the Department of Labor and Training, RI Department of Education and the Providence Plan, it could help off-set the cost of the portal.

Not everything will change overnight stated Mr. Gallagher. A transition plan needs to be developed, contracts will be negotiated, this is just a proposal to respond to the request of the General Assembly. Until the budget is approved, business is as usual.

Mr. Delaney stated that perhaps members of the board should have conversations with members of the legislature, who will determine or help to ensure that the reserve funds are to be used for student

financial aid.

Mr. Gallagher stated the funds are appropriated only for financial aid related activities. OPC will manage financial aid activities. The SIC will invest the funds.

Ms. Jenkins also asked about dual enrollment. Mr. Gallagher replied that a high school student can go to a college campus and the state will cover the cost.

This program will not apply to the private colleges. This makes college more accessible and affordable, and credits are transferable to other colleges.

Ms. Jenkins stated that off-set of loans are a concern.

Mr. Gallagher stated they are currently looking into a loan forgiveness program, as well as remediation.

Mr. Howell left the meeting at 9:40 a.m.

Ms. LaSalle asked if anyone from the board would like to attend the upcoming Senate Finance Committee meeting. Ms. Jenkins stated she would like to attend and testify. Ms. LaSalle stated that the consolidation of the agencies are best in her view, it meets a common goal in education.

Ms. Jenkins stated that she does not like the new changes, and

wasn't told about this before and has concerns for the staff at RIHEAA. Mr. Gallagher addressed Ms. Jenkins concerns and stated the reduction in staff does not mean they plan to put anyone out of a job; there are more than 100 vacant positions across state government that are subject to collective bargaining agreements. Staff can transfer to those positions. It may not be at RIHEAA or OPC; they will have the same right to equivalent pay, similar functions, but not forced to take those positions. Processes are in place with the Department of Administration for the non-union employees. Positions within OPC will be created. Employees may be assigned different jobs.

Mr. Roos stated that the view of the Treasurer's Office is most 529 plans are typically run by their states. They believe that the can run the CollegeBoundfund effectively and efficiently.

Mr. Delaney stated that the Strategic Plan seems to fit. The staff, performance and the redesign is concerning. Review of the Boards past meetings shows we worked on reorganizing the agency.

2. Date of Next Board Meeting: Friday, April 17, 2015 at 9:30 a.m.

There being no further business to come before the Board of Director's, the meeting adjourned.

Adjournment was at 10:10 a.m.

Mr. John Howell

Secretary